

Singapore Budget 2024 – Wish List

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SICC Budget Wish-List 2024

Singapore's Overall Tax Regime

Taxation affecting Businesses			
(A) Making Singapore's Taxation Regime More Business Friendly			
No.	Tax Issues	Comments	Proposed Recommendations
New			
1	Corporate income tax.	Currently, the Safe Harbour Rule only applies to shareholding of at least 20% for the exemption of capital gains tax.	<p>The minimal 20% shareholding threshold for the exemption of capital gains tax should be further reduced to 5% in line with the participation exemption rules in other countries such as the Netherlands, Ireland and Malta. In addition, the scope of the exemption should be extended to preference shares as well as other common types of financial instruments (e.g., bonds).</p> <p>We believe that the Safe Harbour Rule should also be expanded to include insurance / reinsurance companies as there are circumstances where insurance / reinsurance companies can also hold investments as capital assets.</p> <p>The proposed changes will enhance Singapore's attractiveness as a location to set up businesses, conduct business and re-organize businesses.</p>
2	Corporate income tax.	Singapore currently does not allow tax deduction where the employee equity-based remuneration involves the issuance of new	Hong Kong's position is similar to Singapore's in that share-based payments are tax deductible only in respect of shares

		<p>shares (as opposed to the transfer of existing shares to employees).</p>	<p>acquired from the market. However, Hong Kong has, since 2021, published guidelines in relation to recharge arrangements between group companies to allow for tax deduction for both new issues of shares as well as shares acquired from the market. Singapore should adopt the same position.</p> <p>Currently in Singapore, the distinction between the tax treatment of charges on treasury shares and issued shares creates disadvantages to Singapore and inequity in attracting talent. The proposed refinement of the existing rules pertaining to employee equity-based remuneration (e.g., stock options) will put Singapore on par with Hong Kong.</p>
3	Corporate income tax / transfer pricing.	<p>For the purposes of determining the income of a “cost-plus” entity in Singapore providing services to related companies, the current practice of IRAS is such that a mark-up is imposed on the “fully loaded cost” of the service provider.</p> <p>However, in determining the “fully loaded cost,” the current practice of IRAS is to take into account certain notational accounting costs pertaining to stock options issued to employees, instead of the actual cost incurred by the company on the stock options. Such a practice detracts from the tax principle that only actual incurred costs should be taken into account.</p>	<p>There seem to be inconsistencies in the approach adopted by IRAS in the calculation of “fully loaded cost base” for transfer pricing purposes. Income tax legislation should be amended to make it clear that in determining the “fully loaded cost base” of a “cost plus” entity, only the actual cost incurred by the company should be taken into account (and notional accounting costs pertaining to stock options should be disregarded).</p> <p>Share option plans and share award schemes are critical for attracting the best talent to companies. A number of start-up companies / technology companies are facing the aforementioned issue (i.e.,</p>

		The above-mentioned issue gives rise to the inequitable outcome from a corporate income tax perspective. For example, a service company which is to be remunerated an arm's length margin of 7% on its costs, will, as a result of the current practice adopted by the IRAS, end up paying tax on income which is more than 7% of the company's deductible cost.	discrepancy between actual cost incurred vs notional accounting cost of stock option). The abovementioned change will help ensure that Singapore remains attractive to these start-up companies / technology companies.
4	Corporate income tax.	There is currently a prescribed list of what is considered IP for the purpose of S19B WDA.	To consider S19B WDA for other types of IP (e.g., market intangibles, customer lists).
5	Non-deductibility of land premium.	When SLA and HDB issue land parcels for use as petrol cum retail stations for a period of time, companies have to bid for the land. The high bid prices are regarded as land premium in the lease agreement and the monthly rental is minimal. Land premium is treated as capital in nature and does not qualify for tax deduction. This has increased the cost of operating in Singapore as companies have to put in high bids to secure land parcels for petrol cum retail stations, yet the expenditure does not qualify for tax deduction.	Propose that SLA and HDB regard the bid price as monthly rental in the lease agreement so that the payment(s) will qualify as tax deduction. Alternatively, propose MOF allows tax deduction for the land premium paid as these land parcels are used for specific business purposes. Companies which are successful in the bid have to return the land to the SLA and HDB should they decide not to operate at the sites. The companies are not able to make a gain from selling the sites to potential buyers. Hence, there will not be a capital gain made from these sites.
6	Share based compensation.	The current regulatory restrictions on the deduction claim for share based compensation is very complex and the information required to compute the deduction claim is an administrative burdensome to collate (e.g., the weighted	Since the objective is to ensure the Company is only entitled to claim a tax deduction based on the actual cost incurred by the Group (without any step up), we suggest to amend the deduction claim as follows:

		average cost of the shares incurred by the holding company).	<p>1) [Only in the first year of claim] To assess the basis of the recharge to the company (e.g., whether recharge based on weighted average cost incurred with administrative charges etc).</p> <p>2) Where the actual recharge is comparable to the actual costs incurred by the holding company, allow tax deduction based on the recharged amount without the need for further comparison in the subsequent year.</p> <p>This would relieve the administrative burden on companies when making the share-based compensation claims. Also, the rules for deduction are also different from the general deduction rules under Section 14(1) of the Singapore Income Tax Act. We suggest the rules should be consistent and a tax deduction be claimed when the expenses are incurred.</p>
7	Gain on disposal of investments.	Currently, for situations where qualifying conditions under Section 13W of the Income Tax Act are not met, normal tax rules will apply in determining whether the gain / loss is capital or revenue in nature.	Given the number of advanced rulings on the same topic and the implementation of new Section 10L on taxation of foreign-sourced capital gains, would suggest guidance on disposal of investments be updated to provide more scenarios / examples (e.g., restructuring) on the factors in determining the nature of the gain / loss.

8	Foreign tax credits scheme.	<p>To continue encouraging Singapore enterprises to expand overseas, we propose further liberalizing the foreign tax credit scheme to allow excess foreign tax credits to be available for carry forward and carry back.</p> <p>In certain prescribed scenarios, such as where an operating company is held by an intermediate holding company in another country, foreign dividends received in Singapore may be exempt under section 13(12) of the Income Tax Act 1947 if they were paid out of income that had been subject to tax at the operating company level, notwithstanding no further tax is paid by the intermediate holding company.</p>	For parity of treatment and to encourage the repatriation of foreign income, foreign tax credits should similarly be allowed for tax at lower (operating company) levels where dividends flow to Singapore via a chain of companies.
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(B) Enhancing Singapore's R&D Taxation Regime to Encourage More R&D Activities

No.	Tax Issues	Comments	Proposed Recommendations
New			
1	R&D tax deduction.	R&D rules and regulations are technically complex and difficult to qualify. Extensive documents are required to be submitted for claims made which are also subject to protracted queries from IRAS.	To simplify qualifying conditions for qualifying R&D projects and the administrative requirements such as providing R&D claim forms and write-ups for projects exceeding a certain threshold, etc.

(C) Business Costs and How to Contain Them

No.	Tax Issues	Comments	Proposed Recommendations
New			
1	Doing more to help companies cope with higher business costs such as utilities costs (especially companies with manufacturing facilities), supply chain,	Companies with manufacturing facilities face a challenging 2023 due to the increased fuel/ utilities costs, logistics and transportation costs (as logistic providers had labor crunch due to the tightening of foreign labour quota	Propose to provide grants / subsidies to companies with manufacturing facilities which are affected by the steep increase in fuel / utilities costs.

	manpower costs and logistic costs.	and difficulty to find local labour). These have translated to higher costs and constraints on the manufacturing facilities to produce and supply.	
2	Medical benefits	To ease businesses' compliance cost, the computation of the deduction cap for medical benefits should be simplified.	<p>One of the suggestions would be to cap the deduction to a certain percentage (to be determined) of total employee income / earnings as reported by the companies through Form IR8A. This will avoid the need to separately compute a different remuneration sum for corporate tax deduction purposes only.</p> <p>Alternatively, the cap on employer's tax deductions for medical benefits should be removed altogether as it is complex, and a disproportionately large administrative burden given the revenue it collects. Similarly, GST input tax on medical expenses should be claimable (without restrictions). This is to reflect the rising costs for healthcare globally, encourage employers to provide for their employees' healthcare needs and alleviate the cost of hiring older workers (given Singapore's ageing demographics) who are more likely to have greater medical needs.</p>
(D) BEPS 2.0 Implementation Issues			
No.	Tax Issues	Comments	Proposed Recommendations
New			

1	Implementation of Global Anti-Base Erosion (GloBE) rules under BEPS Pillar 2 and Qualified Domestic Minimum Top-up Tax (QDMTT) for large multinational Enterprise (MNE) groups from businesses' financial year starting on or after 1 Jan 2025.	<p>Several MNE groups will have to comply with the rules in the UPE jurisdiction from 1 January 2024, although Singapore will implement the GloBE rules from the businesses' financial year starting on or after 1 January 2025.</p> <p>Given that Singapore has yet to release draft legislation on IIR / QDMTT, MNE groups are uncertain how Singapore may interpret and implement these rules.</p>	From a compliance perspective, it would be important for MNE groups to know as early as possible how Singapore intends to implement the IIR / QDMTT to avoid unnecessary duplication or additional works in integrating and automating solutions to meet Pillar Two reporting requirements.
2	Qualified Domestic Minimum Top-up Tax (QDMTT) rules.	<p>Based on the July 2023 guidance, QDMTT calculations are to be prepared using the accounting standard of the consolidated financial statements of the ultimate parent entity (in line with the OECD model rules, and unless it is not reasonably practicable to do so).</p> <p>Alternatively, QDMTT countries can require businesses to use the local financial accounting standard if specified conditions are met, including that all constituent entities located in the country prepare financial accounts based on the local standard.</p>	To achieve a unified approach to BEPS 2.0, some MNEs have indicated that it would be preferable for Singapore's QDMTT to adopt the accounting standard of the UPE. Adopting the UPE accounting standard may help these MNEs avoid (i) internal reconciliation work and (ii) potential double taxation due to differences in top-up tax computed under UPE GAAP versus SFRS.
3	Implementation of BEPS 2.0 Pillar 2 and QDMTT in Singapore / Tax administration	The global implementation of BEPS 2.0 Pillar Two is likely to increase compliance costs for in-scope taxpayers, especially in the event there is a lack of co-ordination amongst tax authorities. This may include, but not be limited to the mismatch of filing / payment due dates or no exchange of information between tax authorities. For example, the tax	<p>We would like to seek clarity on the following:</p> <ul style="list-style-type: none"> - How will the IIR / QDMTT top up tax be administrated in Singapore? - How does the tax administration design processes to prevent taxpayers from having to pay excess top-up tax (for the

		<p>authorities in the UPE jurisdiction may impose additional top-up tax under IIR if the QDMTT top up tax is not processed/paid on time.</p> <p>This issue is further complicated by the fact that the excess top-up tax paid may not be refunded, potentially leaving the taxpayer in a double taxation position.</p>	<p>reasons described under the “Comments” column)?</p> <ul style="list-style-type: none"> - How will the exchange mechanism for GloBE Information Return (GIR) work?
4	Complex BEPS 2.0 / QDMTT filing requirements.	<p>MNE groups with multiple Singapore companies may not prepare a consolidated Singapore financial statement as they have different holding companies. Preparation of consolidated financial statements for the Singapore group of companies will add to compliance costs.</p> <p>In addition, these Singapore companies may not have the same financial year end.</p>	<p>We propose that:</p> <ul style="list-style-type: none"> - The government considers subsidizing in-scope companies that subscribe to online platforms / systems or incur software development costs to digitize/ automate and streamline reporting. - No penalty be imposed for incorrect / incomplete filings during the transition period e.g., first 3 to 5 years. This will give in-scope companies time to understand and familiarize themselves with the BEPS 2.0 Pillar 2 / QDMTT rules and improve their data collection and filing processes to meet reporting requirements. - IRAS provides filing templates early to give in-scope companies adequate time to understand and familiarize themselves as they prepare for the IIR and DTT filing requirements. - IRAS allows installment payments (e.g., 6-8 installments) to settle the top-up tax payable to alleviate cash flow issues.

			Singapore ensures that its DTT qualifies for QDMTT Safe Harbor rules so that it can switch off IIR/UTPR.
5	Impact of BEPS Pillar Two rules on companies enjoying tax incentives.	<p>Companies currently enjoying tax incentives at concessionary tax rates lower than 15% are likely to have an additional tax burden when Pillar Two rules are implemented, which may significantly reduce the benefits of the tax incentive regime.</p> <p>MNE groups benefiting from existing tax incentives have committed to significant investments (e.g., DEI with capital expenditure), and / or incurred capital expenditure on approved projects. If there is top-up tax to be paid before the incentive ends, these MNEs would be in a disadvantaged position as they have committed to significant investments and will have to incur the capital expenditure or other commitments to meet the conditions under the tax incentive.</p>	We propose that the authorities provide guidance on whether tax disputes arising from the GloBE Rules / QDMTT will be handled the same way as other tax disputes governed by the tax treaties – Or by order of steps, the PE matter should be handled under the normal income tax dispute resolution process first before we address the dispute under DTT / IIR (if any).
6	Dispute Resolution Mechanism.	<p>With the implementation of new legislation such as BEPS 2.0, it could be challenging to mediate dispute resolution.</p> <p>For example, with respect to the tax administration of the GloBE Rules / DTT, there might be a need for the taxpayer to disclose the type of PE (A vs B vs C vs D) and whether there are PE positions taken unilaterally i.e. “Yes” or “No” and the</p>	<p>Propose for MOF to provide a clearer overview of the landscape as this would involve two or more jurisdictions.</p> <p>For example, we propose the authorities provide guidance on whether tax disputes arising from the GloBE Rules / QDMTT will be handled the same way as other tax disputes governed by the tax treaties – Or by order of steps, the PE matter should</p>

		<p>magnitude of the taxes paid, including whether the matter is currently in dispute resolution i.e., whether under</p> <p>(i) MAP; (ii) Litigation; or (iii) Settled unilaterally on a without prejudice basis.</p> <p>It is acknowledged that the issues for consideration already exist today. However, the question will be whether the implementation of the GloBE Rules / DTT may make matters more challenging going forward.</p>	<p>be handled under the normal income tax dispute resolution process first before we address the dispute under DTT / IIR (if any).</p>
(E) Qualified Refundable Tax Credit (QRTC)			
No.	Tax Issues	Comments	Proposed Recommendations
New			
1	Introduction of QRTC.	Existing incentive regimes which reduced the tax rate below 15% are no longer efficient to attract foreign investment into Singapore; grants and subsidies as alternatives will also have a negative impact on the ETR calculated for BEPS Pillar 2.	We propose to introduce Pillar 2 compliant incentives such as QRTC, which generally do not adversely impact the ETR; QRTC should not be limited to R&D but cover all kinds of investment areas (e.g., digitalization, decarbonization, etc).
(F) Withholding Tax Issues			
No.	Tax Issues	Comments	Proposed Recommendations
New			
1	Certainty in the characterization of “new” payments to non-tax residents arising from the changing business landscape.	The characterisation of multiple types of payments made to non-tax residents arising from e-commerce, purchase of carbon credits, etc are unclear and IRAS’ website on withholding tax and e-tax guides are oversimplified and outdated.	To update relevant guidance to include certainty of withholding tax treatment of “new” payments.

2	Remove the services outsourced by non-resident company to entities subjected to tax in Singapore from the scope of withholding tax.	This would help alleviate the administrative burden of withholding tax filing and subsequent filing by the non-resident entity to claim tax deduction.	Since the local entities would already be paying tax on their share of the income (i.e. equivalent to the service fee attributable to the work done in Singapore), suggest removing the requirement for the Singapore payer to file withholding tax on the said portion of the service fees. This would also remove the need for the non-resident to subsequently file the tax return to claim tax deduction on the expenses paid for the work outsourced to the local entity.
3	No recovery of foreign withholding tax suffered for loss making entities.	Companies currently need to be in a tax paying position in order to claim foreign tax credit.	To allow loss making companies to defer the foreign tax credit claims to subsequent Years of Assessment or to enable loss making companies to offset the foreign withholding tax against other taxes suffered by the Company.

Review of Existing Taxes and Incentives

(G) How Singapore Will Be Able to Attract Foreign Business Investments

No.	Tax Issues	Comments	Proposed Recommendations
New			
1	Attractiveness of Singapore for foreign investors.	With BEPS Pillar 2, the efficacy of tax incentives in attracting foreign investments will no longer be what it was before. This, coupled with rising costs of hiring skilled workforce, elevated property prices, increase in carbon taxes / GST, etc are making it more difficult to justify investing in Singapore as compared to other jurisdictions.	To help foreign investors defray the additional costs to be incurred such as providing grants (in line with BEPS Pillar 2) and subsidies on hiring skilled workforce. To also consider delaying the implementation of increase in carbon taxes in Singapore.

2	Currently, the M&A Scheme only applies for acquiring companies which are incorporated and tax resident in Singapore (where the acquiring company belongs to a corporate group, its ultimate holding company must also be incorporated and tax resident in Singapore).	This does not incentivize Singapore-based companies which are headquartered in other countries to invest in local (i.e., Singapore-based) start-up companies which may need significant investments to scale / innovate.	To extend the M&A Scheme benefits, on a case-by-case application basis, to Singapore-based companies (which are headquartered in other countries) which invest in local start-up companies for the benefit of the Singapore economy.
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General Tax Regimes

(H) GST

No.	Tax Issues	Comments	Proposed Recommendations
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New

1	GST incurred on services relating to carbon credits.	<p>Supply of any carbon credit is treated as an excluded transaction from 23 Nov 2022 and consequently, any GST incurred on related services is not claimable if the intent of purchase is for resale.</p> <p>When carbon credits are purchased to offset carbon emissions for one's compliance purposes or to voluntarily reduce the carbon footprint of one's business, GST incurred is claimable only as residual input tax and subject to apportionment.</p> <p>In contrast, whilst VERs specifically are outside the scope of UK VAT, HMRC did not restrict or disallow the claim of VAT incurred on services relating to VERs. No restriction on such input VAT / GST claims have been imposed in other countries.</p>	In order not to burden businesses with additional tax costs, increased administrative burdens and for Singapore businesses to remain competitive, we propose to allow such GST to be claimable in full in view of the long-term economic benefits of carbon credit deals.
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(I) Personal Income Tax			
No.	Tax Issues	Comments	Proposed Recommendations
New			
1	Individual income tax.	No deduction is currently available for mortgage payments.	<p>To consider allowing individuals to claim tax relief on mortgage interest payments on the first property which is used as principal residence.</p> <p>This would help to reduce the financial burden of homeownership in the face of rising property prices.</p>
2	Pension payments.	<p>1) Pensions are currently taxable while severance payments that are made to compensate for loss of employment are not taxable.</p> <p>Under the company policy, during a restructuring exercise, employees who are on pension scheme will not receive severance payments or will receive heavily discounted severance payments due to the pension payout when they leave the company. There is a difference in the tax treatment as a result.</p> <p>2) Singapore has progressive individual income tax rates. Pension payments that are paid in lump sum at retirement attract the highest tax rate which significantly erodes the pension. This reduces the adequacy / sufficiency of retirement funds for the individual as life</p>	<p>For employees who are entitled to receive a pension and suffer reduced or no severance payments during a restructuring exercise, MOF / IRAS to consider allowing these pension payments to be regarded as non-taxable. That is, to align with the tax treatment for severance payments.</p> <p>To consider pension paid at retirement from employment as non-taxable or at a reduced tax rate so as not to erode the adequacy of retirement funds.</p>

		expectancy and inflation have increased.	
3	Individual Income Tax.	No deduction is allowed for contributions to foreign pension plans.	To allow tax deductions for contributions to foreign pension plans. This would help attract foreign MNCs at a time when they already have to deal with rising property prices for their expat employees.
(J) Green/Sustainability Tax Issues			
No.	Tax Issues	Comments	Proposed Recommendations
New			
1	Tax treatment for carbon credit.	To date, there are only tax certainties on the tax treatment of income and expenses arising from the trading of carbon credits. However, there is little clarity on the tax treatment of expenses incurred by other key players in the supply chain (e.g., the wholesaler, project developer, etc) and how the accounting treatments of the expenses (e.g., whether intangible asset, prepayment) will impact timing of deduction.	To enhance Singapore's position as a hub for carbon credit trading, tax certainty should be provided to all key players in the supply chain. Expenses incurred should also be accorded tax deduction notwithstanding accounting treatments.
2	Energy transition initiatives.	<p>Companies are under increasing pressure to decarbonise their operations.</p> <p>Such energy transition initiatives involve significant upfront investments, e.g. feasibility / market studies, purchase of a new plant and equipment, installation costs, run and maintain costs, etc.</p> <p>In a period of rising costs / high inflation, such outlays can be overwhelming for businesses. Companies which fail to</p>	<p>To support businesses in their decarbonisation efforts, energy transition related projects should be accorded some form of incentives through subsidies, grants or refundable tax credits to help defray a portion of the costs.</p> <p>The relief mechanism would need to be carefully considered to provide certainty to companies which are undertaking sizeable upfront investments / payments and to ensure that benefits are not eroded with the</p>

		<p>decarbonise early are then caught in a “vicious cycle” where they are required to pay increasing amounts of carbon taxes.</p> <p>Additionally, such initiatives may be undertaken voluntarily by companies and may not always be profit driven or result in a source of income.</p> <p>This results in uncertainty over the tax deductibility of such expenses, as IRAS may disallow them on the basis they are not incurred in the production of income.</p>	<p>potential introduction of a QMDTT in 2025.</p> <p>Separately, the carbon tax transitional framework that is being developed should be robust, to ensure companies are not caught in a “vicious cycle” of increasing carbon taxes and insufficient resources to decarbonise.</p> <p>Finally, to offer certainty on tax deductibility of expenses incurred in relation to desirable green / sustainability / energy transition related initiatives, or perhaps enhanced tax deductions (or grants, in light of BEPS Pillar 2), regardless of whether the initiative results in the production of income.</p>
3	Inclusion of alternative products / commodities arising from energy transition initiatives as qualifying commodity under the Global Trader Programme (GTP).	<p>Currently, carbon emission credits have been included as a qualifying commodity for GTP purposes.</p> <p>However, as the energy transition journey evolves, more new products / commodities have been created which can be traded in the market by GTP companies. These include Renewable Energy Certificates (RECs, which is a market-based instrument that certifies the bearer using one megawatt-hour (MWh) of electricity generated from a renewable energy resource) and Renewable Natural Gas or Renewable Thermal Certificates (which serves as proof that the <i>gas</i> originated from <i>renewable</i> or biogenic sources).</p>	<p>The inclusion of the new products / commodities arising from energy transition initiatives under the GTP programme will help to create a vibrant trading environment for these products in Singapore, which would enable Singapore to consolidate its position as a global trading hub and also encourage Singapore-based companies to work towards Singapore’s Long-Term Low-Emissions Development Strategy (LEDS).</p>

4	Enhanced deduction for expenses on decarbonisation activities.	<p>Many companies are now committed to a Net Zero carbon emission ambition / goal and are taking certain actions to decarbonise in order to achieve the ambition / goal. In this regard, there will likely be an increase in certain spendings such as:</p> <ul style="list-style-type: none"> - purchase of carbon credits for offsets - consultancy fee for decarbonization related matters - registration fee/certification fee paid to Gold Standard, Verra, NEA, etc. 	Propose allowing 200% tax deduction on expenses incurred on such decarbonization activities.
5	Greater policy support for sustainability efforts.	<p>At present, there are limited policies / regulations to help enable the growth and adoption of green technology and products. As such, first-mover companies which have made significant investments in green technology are at a competitive disadvantage as their production costs, and correspondingly product prices, are higher than their “non-green” counterparts.</p>	<p>To consider the use of government policies and regulations to increase market demand for green technologies and products. This could include rebates on solar panel installations for households, policies to increase the demand for sustainable fuels (e.g., mobility and aviation), etc.</p> <p>However, this would require careful balance so as not to overburden the average consumer, in light of rising costs / high inflation.</p>
(K) Other Taxes (e.g., Stamp Duty and Property Tax)			
No.	Tax Issues	Comments	Proposed Recommendations
New			
1	Property tax.	<p>Property tax is imposed on all immovable properties situated in Singapore. The applicable tax rate does not distinguish whether the immovable property is “green.”</p>	<p>The property tax regime should be refined such that commercial / industrial buildings which are “green” are subject to a lower property tax rate.</p> <p>The built environment generates 40% of annual global CO2 emissions. Having</p>

			different property tax rates for “green” and “non-green” buildings will provide building owners with the impetus to ensure that their building meets the definition of a “green” building.
2	Property tax.	<p>Property tax is imposed on all immovable properties situated in Singapore, including machinery which are regarded “fixtures.” This includes machinery performing peripheral functions (e.g., pipelines to transport chemicals, storage tanks for raw materials and finished products and fire protection systems).</p> <p>A limited exemption is currently available where the machinery is (1) used in the making of articles, (2) alteration, repairing, ornamenting or finishing of articles, or (3) adaptation for sale of articles.</p> <p>In a recent Court of Appeal case, the judges further held that the scope of the exemption is limited to cases where the articles made, altered, repaired, ornamented or finished are “for sale.”</p> <p>When companies incur capital expenditure to expand manufacturing facilities with highly automated machinery and equipment (which include non-human interference of transportation and storage of hazardous chemicals / products) and fire protective equipment to prevent overheating due to chemical reactions which occurred as part of</p>	<p>Grant exemption of property tax for machinery where the taxpayer:</p> <ol style="list-style-type: none"> 1) substantiates that the said machinery automates or facilitates trade / business processes, increases efficiency / productivity, reduces workplace related risks, etc. (i.e., regardless of whether the machinery is for purposes of making articles “for sale”). 2) Examples of such machinery (which are currently taxable for property tax purposes) include (i) automatic storage and retrieval systems, (ii) automatic sorting systems, (iii) automatic transportation systems (iv) machinery used for the provision of contamination-free or sterile environment for the life sciences industry and (v) machinery such as robotics, Internet of Things (IoT)-enabled carts and automated guide vehicles used for the lifting and conveying of goods. 3) Incurs capital expenditure in manufacturing facilities for energy transition: decarbonisation, carbon

		the manufacturing processes, the companies are penalised at the same time with higher property taxes due to the increased in annual value of the property.	capture, usage and storage, product conversion and energy efficiency. The expansion of the scope of the property tax exemption is in line with the Government's push for companies to automate and adopt technology and the Government's Green Plan ambitions.
3	Property tax.	Property tax is imposed on all immovable properties situated in Singapore, regardless of whether the property is occupied or vacant.	Given the high rental rate in Singapore, the property tax rate should be higher for "vacant" properties to help encourage landlords to rent out their property (instead of leaving it vacant).
4	Stamp duty.	The current stamp duty legislation does not adequately address the stamp duty treatment of limited partnerships and variable capital companies.	The stamp duty relief regime should be expanded to specifically include limited partnerships and variable capital companies.
5	Excise Duty for Tobacco & Liquor.	The post-COVID economic recovery has been dampened by high inflation and economic uncertainties, with disproportionate impact on the lower income groups. Drastic excise increases can have the unintended consequence of disrupting markets by sending an affordability shock to consumers and driving consumers towards cheaper alternatives, including illegal tobacco, vapes and liquor, and undermine governments' public health and fiscal objectives. This would be especially pronounced amid high inflationary and price	Propose that excise duty for tobacco and liquor be maintained at current rates, for Budget 2024.

		<p>pressures as well as the impending GST hike and carbon tax hike in 2024.</p> <p>For instance, following the 15% tobacco excise hike in February 2023, there has been a worryingly significant growth in illegal vapes.</p> <p>In addition, retailers, the majority of whom are SMEs, will be hit hard by decreased revenues from direct (tobacco and alcohol) revenues and incidental revenues (snacks, drinks, sweets and daily essentials) from decreased footfall to the retailers.</p>	
(L) Repeated Wishlist Items			
No.	Tax Issues	Comments	Proposed Recommendations
1	Limit the scope of withholding tax applicable to services' fees, not disbursements.	<p>Today, when foreign companies render services in Singapore, their fees are subject to withholding tax (WHT) at a 17% rate. The scope of the taxable base also includes the reimbursement of airfare and accommodation – before November 2022 however, the foreign company could claim for a deduction of these expenses to IRAS.</p> <p>Payments made to foreign individuals for services are also subject to WHT, but at 15% rate. Fortunately, there was a concession whereas airfare and accommodation costs provided / reimbursed by the payer were not taxable, in line with the rules prevailing in most countries.</p>	Propose that MOF modify the scope of the taxable base for WHT purposes: allow the Singaporean payer to deduct airfare, accommodation and other transportation costs provided/reimbursed to the non-resident company or professional from the WHT base.

		<p>Since 1 Nov 2022, these concessions have been withdrawn, meaning that airfare and accommodation costs reimbursed or provided to non-resident companies or professionals are always taxable.</p> <p>This is not only unfair - it is unheard of in other tax systems, and it considerably reduces the attraction of Singapore as a hub for events and conferences.</p> <p>This is an extremely strong deterrent for world-renowned speakers, consultants, academics and other professionals from the US and from other non-treaty countries to come to Singapore for events or seminars.</p>	
2	Transfer pricing documentation.	<p>Currently, transfer pricing documentation rules specify that documentation is required on transactions if certain thresholds are met.</p> <p>While the threshold was considered adequately high so as not to be burdensome to smaller companies, these thresholds are considered to be low for bigger companies. This unfortunately creates additional burdens for such companies in the event that there are variations in the arrangement / terms of an existing transaction. This is because the variations could result in a different risk profile / function / assets used.</p> <p>Under existing regulations, this would mean that for a certain type of sale, multiple benchmarkings / reports would have to be</p>	<p>Propose that transactions requiring documentation are based on a materiality basis (e.g., percentage of sales, percentage of business line, etc) as opposed to a fixed number threshold. This would help to alleviate compliance burdens for the bigger companies.</p>

		documented, for the given type of transaction, due to the variations. Even though the variation in transaction would not be material or even in respect to that transaction from a commercial perspective.	
3	Abolish the statutory limit for donations carried forward.	<p>Currently, there is a statutory time limit for which unutilised donations can be carried forward and offset against the Company's taxable income.</p> <p>This could cause companies to time their donations as there could be no tax benefit on the donations if the Company is not forecasting to earn a profit in the next few years.</p>	Propose to abolish the statutory limit for unutilized donations carried forward to encourage charitable giving regardless of the times (whether good or bad).
4	Carbon Tax and Energy Costs.	The hike in carbon tax rates coupled with the exponential increase in energy costs will have an adverse impact on manufacturing and energy intensive industries operating in Singapore. Singapore's energy and chemical sectors predominantly export to ASEAN and none of the other ASEAN countries have introduced carbon taxes. This has come at a time when the global economy is dealing with inflation and economic uncertainty. If not properly managed in Singapore, this will adversely impact Singapore's attractiveness as a location for energy intensive manufacturing operations and could lead to capital flight and a diversion of future investments away from Singapore.	<p>1) Propose that carbon tax rate hikes be delayed, to ameliorate the challenges faced by companies arising from higher energy costs in Singapore. The higher energy costs will have the effect of forcing companies to adopt more energy efficient production processes. (Note: Singapore's energy price is already one of the highest in ASEAN and twice to thrice higher than the rates in Indonesia, Malaysia, Thailand and Vietnam).</p> <p>2) Propose that more incentives be provided to encourage companies to adopt energy-saving production processes and procure more energy-efficient equipment. We recommend:</p>

			<ul style="list-style-type: none"> a. Increase the amount of funding for the Energy Efficient Fund. b. Increase the quantum of grant support for each project. c. Consider deductions for capital expenses incurred to acquire energy efficient equipment and processes. <p>3) To prevent local manufacturers from being adversely impacted by competing imported products that are not subject to the same stringent emissions standards or amount of carbon taxes, propose that MOF consider implementing a carbon border adjustment tax for certain critical / strategic industries.</p>
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